Failure of Co-operative Banks

3125. SHRI C.P. THIRUNAVUKKARASU: Will the Minister of FINANCE be pleased to state:

(a) whether Government have examined the causes of recent failure of Co-operative Banks in the country, particularly in Gujarat, Andhra Pradesh and Karnataka:

(b) if so, the details thereof;

(c) if not, the reasons therefor;

(d) whether Government have prepared the revival package for such Co-operative Banks;

(e) if so, the details thereof; and

(f) the steps proposed to be taken to stop further collapse of Co-operative Banking Sector in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (e) The causes of the failure of Co-operative Banks include, *inter alia*, Low Entry Capital, Unsatisfactory Credit Appraisal and Credit Monitoring Systems, Non-Observance of Prudential Norms, Poor Funds Management, High Level of NPA, Deficiencies in Management, etc. The Co-operative credit system, therefore, suffers from systematic shortcomings and erosion of net worth. Government of India had constituted a Task Force (known as Capoor Committee) in April 1999 to study the functioning of co-operative credit system and suggest measures for its strengthening. The Task Force made wide ranging recommendations which have been examined by the Government in consultation with State Governments and deliberated upon in a Conference of Chief Ministers of States. It was decided in the above Conference to constitute a Joint Committee of the Co-operation Ministers of select States under the Chairmanship of Union Minister of State for Finance. This Committee has since submitted its report on the required reform and for improving the net worth of these institutions which is under consideration of the

Government. Meanwhile, Finance Minister has announced a provision of Rs. 100 crores in the Union Budget for the year 2002-2003 for the revitalization of the Co-operatives.

(f) RBI has taken various regulatory/supervisory measures to avoid such failure in future. These include restricting the operations of Co-operative banks in call money market, revising the norms of investment in Government and other approved securities, restricting the investment of funds as deposit with other co-operative banks, restricting the issue of bankers' cheques by urban Co-operative banks, introduction of a system of off-site surveillance on scheduled urban banks, etc.

Loan to defaulting companies

3126. SHRI ABANI ROY: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that IDBI and other nationalised banks had sanctioned crores of rupees as loan to companies which had defaulted in their repayment of loans in the last few years;

(b) if so, the details thereof;

(c) whether the companies are adopting novel methods to get loans from banks and financial institutions even if on the defaulters list; and

(d) if so, the steps Government propose to take to ensure that such companies are not provided loans which are on the defaulter's list?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (d) The information is being collected and will be laid on the Table of the House to the extent available.